Deliver today, prepare for tomorrow

CERAWeek
Houston, USA

Ben van Beurden
CEO, Royal Dutch Shell plc
March 9, 2017
Ben van Beurden became Chief Executive Officer (CEO) with effect from January 1, 2014.

He joined Shell in 1983, after graduating with a Master’s Degree in Chemical Engineering from Delft University of Technology in the Netherlands.

Ben’s career in Shell spans both Upstream and Downstream activities. He has held a number of operational and commercial roles, including some 10 years in the LNG business, and a variety of positions in Downstream. He has been based in The Hague, Sudan, Malaysia, London and Houston.

In January 2005, he became Vice President, Manufacturing Excellence, based in Houston, USA. In this role he was responsible for standards in operational excellence and high-performance initiatives in refining and chemicals manufacturing.

In December 2006, he was appointed Executive Vice President, Chemicals, based in London, UK.

During his tenure in the role, Ben was appointed to the boards of a number of leading industry associations including the International Council of Chemicals Associations and the European Chemical Industry Council.

He is a visiting Professor of the International Studies Institute, the Party School of the Central Committee of the Chinese Communist Party, and a member of the Advisory Board of the School of Economics and Management Tsinghua University in Beijing (both since 2015).

From January to September 2013, he was Downstream Director and had regional responsibility for Europe and Turkey. He has been a member of the Executive Committee since January 2013.

Ben, a Dutch citizen, is married and has three daughters and a son.
Geopolitics, macroeconomics, supply and demand provide opportunity, risk and reward, said Shell CEO Ben van Beurden in a speech at CERAWeek in Houston, USA. Shell is ready to show operational performance and to adapt through the energy transition.

Good morning to you all.

It’s great to be back in Houston and to be back at CERA week. Last year I did not make it out of my hotel room as I fell ill during the night. So today I am happy to have at least made it to the stage.

Royal Dutch Shell, ladies and gentlemen, has a long history in Houston. Our ties to the city date back to the early years of the Texas oil business at the start of the twentieth century… those dynamic years that Dan Yergin vividly describes in his classic book The Prize.

Over the course of that century, the world’s population quadrupled, the global economy expanded 14-fold, and industrial production expanded by a factor of 40. As a result, many people were lifted out of poverty.

Our industry powered this progress, which is one important reason why I am so proud to be part of it. This is especially true today, as I am among so many distinguished delegates from the sector. Thank you, Dan [Yergin], for the opportunity to address such a wonderful audience.

More energy, less CO₂

Over the coming decades, the world will likely need much more energy to meet growing demand. As before, many could be lifted out of poverty. And, as before, our industry could play a crucial role in powering this progress.

But this is only one part of the story. True, the world needs more energy. But we also need to produce all that energy while emitting much less CO₂. This is of course a key driver behind the energy transition.

I often get the question, how will this transition unfold? Well, I clearly cannot predict the future. But I am pretty confident that this century’s energy system will be an evolving mix of renewables and hydrocarbons.

Why? Well, mainly because electricity is only around 20% of today’s final energy consumption. And contrary to some beliefs, a quick and affordable way to grow the share of electricity in certain sectors is yet to be found.

So, cleaner electricity alone is not enough to meet the challenge of producing more energy with less CO₂. And this, like it or not, leaves us with an evolving mix of renewables and hydrocarbons.

Paris Agreement

Having an energy system based on both renewables and hydrocarbons… ladies and gentlemen… of course implies that some level of emissions will remain for some time.

The Paris agreement on climate change acknowledges that emissions will continue in different sectors at different levels. These emissions will need to be offset elsewhere in the energy system.

Moreover, the Paris agreement does not say that emissions will fall in all sectors simultaneously, nor that all sectors will reduce emissions. What’s important is that overall emissions fall.

Rather than focusing on individual parts of the system, an overarching approach is needed. Shell strongly supports this, as it strongly supports the overall ambition of the Paris agreement.

The next step should be for governments to put in place the right policies, driving action on the supply and the demand side.

These policies should include government-led carbon pricing mechanisms. And they should include regulations that speed up investment in low-carbon technologies and
— at the same time — move consumer demand away from high-carbon energy and energy intensive products.

**Shell’s contribution**
The largest contribution Shell can make to reducing emissions globally in the near term, is to continue to grow the role of natural gas.

As the US has demonstrated, using gas in the power sector is a fast and relatively cheap way to reduce CO₂ emissions in the short term.

Growing the role of gas was one of our reasons for acquiring BG, a company with a strong gas portfolio. Today, gas accounts for around half of Shell’s production.

But of course Shell is also taking other actions to help lower emissions. These actions range from research and development to reducing emissions from operations and sharing our knowledge with others.

And in four areas we intend to do more in the immediate future. We aim to grow our offer of low carbon energy… tackle our carbon intensity… help others decarbonise… and explore the opportunity to offset emissions from our own operations and those of customers.

What does this mean in concrete terms, you might ask. Well, for example, we aim to grow investment in our recently established New Energies business to perhaps $1 billion a year by the end of the decade.

In our remuneration policy, we’re including new metrics for the management of greenhouse gases. And we’re willing to continue to invest in commercially viable carbon capture and storage projects linked to our operations.

It is important to note — by the way — that our industry faces significant uncertainties… uncertainties as to how government policy and consumer behaviour will shape the energy system… and uncertainties about which technologies and business models will prevail.

Social, political and geographical conditions differ from country to country. So the energy transition is likely to play out in a different way in different places. The pace of the transition will differ too. In some countries the transition will be relatively fast, in others relatively slow.

Take my home country, for example.

In the Netherlands, there is a business case for offshore wind power — an option that many other countries simply do not have. Seeing this business case, we are interested in investing in offshore wind.

Just recently, Shell and its partners won the tender for a large wind park off the shore of a town called Borssele.

The Netherlands also has a long-standing tradition of co-operation; we call it the “Poldermodel”. Building on this tradition, Shell in the Netherlands is a driving force behind a coalition of around 50 companies to jointly accelerate the energy transition.

Obviously, the Netherlands is one out of many countries in which Shell is doing business. In each of those countries we will play a different role in helping to achieve an energy transition.

**Strategy**

So, ladies and gentlemen: Shell seeks to work in step with global efforts to create a sustainable energy future.

Our refreshed strategy is built around three types of activities. Firstly, cash engines. These are activities which allow us to manage our balance sheet… cover the dividend… and leave us with enough money to fund future investments .

Secondly, growth priorities. These are activities which should give us a strong and reliable growth of free cash flow within the next 10 to 15 years — such as chemicals and deep water.
And, finally, future opportunities. These are activities to provide us with a material growth in cash flow in the longer term, when the transformation to a lower-carbon energy system will offer new ways to be profitable — such as shales and our New Energies business.

To be clear: Shell is already involved in new energies — like our wind parks here in the US. But I expect new energies to grow as part of our portfolio over time.

So, ladies and gentlemen: Shell’s strategy is clear and resilient to the envisaged implementation of the Paris agreement. We’re driving this strategy through our cash engines today… through our growth priorities in 2017 and beyond… and through our future opportunities in the next decade.

Across these segments we established eight strategic themes: Conventional Oil and Gas… Integrated Gas… Oil Products… followed by Deepwater and Chemicals… followed by Shales and New Energies.

As you may have noticed, these are actually seven themes.

This is because today, we announced the signing of several agreements that will see Shell sell all of its in situ and undeveloped oil sands interests in Canada… and reduce its share in the Athabasca Oil Sands project from 60% to 10%.

This represents a $7.25 billion transaction with benefits for buyer and seller. It reduces the eight strategic themes to seven, and contributes to reshaping Shell and setting portfolio priorities.

World class investment case
It also demonstrates, following the successful consolidation of BG into Shell, how we continue to drive a world class investment case.

Shell makes these choices to thrive in the business environment of today and to be ready for the business environment of tomorrow.

Current geopolitics, macroeconomics, supply and demand provide opportunity, risk and reward. Shell is ready to show operational performance now and to manage the energy transition over time.

Or, to put it differently, our approach is: “Deliver today… prepare for tomorrow.”

Thank you very much.